Managerial Accounting 14th edition Warren Test Bank

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Chapter 2 - Job Order Costing

1. True / False

Cost accounting systems measure, record, and report product costs.

a. True

b. False

ANSWER: True

DIFFICULTY: Bloom's: Remembering
Easy

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

2. A manufacturer may employ a job order cost system for some of its products and a process cost system for others.

a. True

b. False

ANSWER: True

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

3. A job order cost accounting system provides for a separate record of the cost of each particular quantity of product that passes through the factory.

a. True

b. False

ANSWER: True

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

4. A process cost accounting system provides for a separate record of the cost of each particular quantity of product that passes through the factory.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management

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BUSPROG: Analytic

5. A process cost accounting system provides product costs for each of the departments or processes within the factory.

a. True

b. False

ANSWER: True

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

6. A process cost accounting system is best used by manufacturers of like units of product that are not distinguishable from each other during a continuous production process.

a. True

b. False

ANSWER: True

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

7. The process cost system is appropriate where few products are manufactured and each product is made to customers' specifications.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

8. A job order cost system would be appropriate for a crude oil refining business.

a. True

b. False

ANSWER: False

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

9. Perpetual inventory controlling accounts and subsidiary ledgers are maintained for materials, work in process, and finished goods in job order costing systems.

a. True

b. False

ANSWER: True

DIFFICULTY: Bloom's: Remembering
Easy

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

10. When the goods are sold, their costs are transferred from Work in Process to Finished Goods.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

11. The materials requisition serves as the source document for debiting the accounts in the materials ledger.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

12. Materials are transferred from the storeroom to the factory in response to materials requisitions.

a. True

b. False

ANSWER: True

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

13. The document that serves as the basis for recording direct labor on a job cost sheet is the clock card.
    a. True
    b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

14. The document that serves as the basis for recording direct labor on a job cost sheet is the time ticket.
    a. True
    b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

15. Depreciation expense on factory equipment is part of factory overhead cost.
    a. True
    b. False

ANSWER: True
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

16. Factory overhead is applied to production using a predetermined overhead rate.
    a. True
    b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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17. If factory overhead applied exceeds the actual costs, the factory overhead account will have a credit balance.

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a. True
b. False

ANSWER: True
DIFFICULTY: Moderate
Bloom's: Remembering
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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

18. If factory overhead applied exceeds the actual costs, overhead is said to be underapplied.
a. True
b. False

ANSWER: False
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

19. If the underapplied factory overhead amount is immaterial, it is transferred to Cost of Goods Sold at the end of the fiscal year.
a. True
b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

20. Each account in the work in process subsidiary ledger in a job order costing system is called a job cost sheet.
a. True
b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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21. In the job order costing system, the finished goods account is the controlling account for the factory overhead ledger.
a. True
b. False

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ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

22. The inventory accounts generally maintained by a manufacturing firm are only finished goods and materials.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

23. Generally accepted accounting principles require companies to use only one factory overhead rate for product costing.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

24. Activity-based costing is a method of accumulating and allocating costs by department.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
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BUSPROG: Analytic

25. Interim financial statements for a manufacturing business would report overapplied factory overhead as a deferred item on the balance sheet.
a. True
b. False

ANSWER: True

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Bloom's: Remembering
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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

26. The debit to factory overhead for the cost of indirect materials is obtained from the summary of the materials requisitions.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

27. In a factory with several processing departments, a single factory overhead rate may not provide accurate product costs and effective cost control.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

28. Nonmanufacturing costs are generally classified into two categories: selling and administrative.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

29. The current year's advertising costs are normally considered period costs.
a. True
b. False
ANSWER: True
DIFFICULTY: Moderate

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LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

30. Direct labor cost is an example of a period cost.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

31. A manufacturing business reports just two types of inventory on its balance sheet: work in process inventory and finished goods inventory.

a. True

b. False

ANSWER: False

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

32. On the balance sheet for a manufacturing business, the cost of direct materials, direct labor, and factory overhead, which have entered into the manufacturing process but are associated with products that have not been finished, are reported as direct materials inventory.

a. True

b. False

ANSWER: False

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

33. As product costs are incurred in the manufacturing process, they are accounted for as assets and reported on the balance sheet as inventory.

a. True

b. False

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ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

34. A receiving report is prepared when purchased materials are first received by the manufacturing department.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

35. Period costs are costs that are incurred for the production requirements of a certain period.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

36. Job order cost systems can be used to compare unit costs of similar jobs to determine if costs are staying within expected ranges.
a. True
b. False

ANSWER: True
DIFFICULTY: Bloom's: Remembering
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

37. Job cost sheets can provide information to managers on unit cost trends, the cost impact of continuous improvement in the manufacturing process, the cost impact of materials changes, and the cost impact of direct materials price or direct labor rate changes over time.
a. True

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b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

38. Job order cost accounting systems may be used to evaluate a company's efficiency.
a. True
b. False

ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

39. Information about costs developed through a job order cost system cannot be used to evaluate an organization’s cost performance.
a. True
b. False

ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

40. Job order cost accounting systems may be used for planning and controlling a service business.
a. True
b. False

ANSWER: True
DIFFICULTY: Bloom's: Remembering
Easy
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

41. The job order costing system is used by service firms to determine revenues, expenses, and ultimately profit.
a. True
b. False

ANSWER: True

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DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

42. The job order costing system is not used by service organizations.
a. True
b. False
ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

43. A law firm would use a job order cost system to accumulate all of the costs associated with a particular client engagement, such as lawyer time, copying charges, filing fees, and overhead.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

44. Job order cost accounting systems can be used only for companies that manufacture a product.
a. True
b. False
ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

45. The direct labor and overhead costs of providing services to clients are accumulated in a work in process account.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

46. In a job order cost accounting system for a service business, materials costs are normally included as part of overhead.
a. True
b. False
ANSWER: True
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

47. A service organization will not use the job order costing method because it has no direct materials.
a. True
b. False
ANSWER: False
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

48. Using the job order cost system, service organizations are able to bill customers on a weekly or monthly basis, even when the job has not been completed.
a. True
b. False
ANSWER: True
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

49. Which of the following are the two main types of cost accounting systems for manufacturing operations?
a. process cost and general accounting systems
b. job order cost and process cost systems
c. job order and general accounting systems
d. process cost and replacement cost systems
ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering

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LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
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ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

50. Which of the following would most likely use a job order costing system?
a. a paper mill
b. a swimming pool installer
c. a company that manufactures chlorine for swimming pools
d. an oil refinery

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

51. Which of the following would be most likely to use process costing?
a. a custom furniture manufacturer
b. an auto body repair shop
c. a law firm
d. a lawn fertilizer manufacturer

ANSWER: d
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

52. Which of the following systems provides for a separate record of the cost of each particular quantity of product that passes through the factory?
a. job order cost system
b. general cost system
c. replacement cost system
d. process cost system

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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53. For which of the following businesses would the job order cost system be appropriate?
    a. canned soup processor
    b. oil refinery
    c. lumber mill
    d. hospital

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

54. For which of the following businesses would the process cost system be appropriate?
    a. a custom cabinet maker
    b. a landscaper
    c. a paper mill
    d. a catering firm

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

55. Which of the following is **not** a characteristic of a job order costing system?
    a. It accumulates cost for each department within the factory.
    b. It provides a separate record for the cost of each quantity of product that passes through the factory.
    c. It is best suited for industries that manufacture custom goods.
    d. It uses only one work in process account.

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

56. Which of the following products would be manufactured using a job order costing system?
    a. a cell phone
    b. a highlighter pen
    c. a graduation invitation
    d. a recliner

ANSWER: c

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DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

57. Job order costing and process costing are
    a. pricing systems
    b. cost accounting systems
    c. cost flow systems
    d. inventory tracking systems

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

58. Which of the following is **not** a reason a service firm would use a job order costing system?
    a. to help control costs
    b. to determine client billing
    c. to determine department costs within the firm
    d. to determine profit

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

59. Which of the following costs are **not** included in finished goods inventory?
    a. direct labor
    b. factory overhead
    c. chief financial officer's salary
    d. direct materials

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

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60. Which of the following is the correct flow of manufacturing costs?
    a. raw materials, work in process, finished goods, cost of goods sold
    b. raw materials, finished goods, cost of goods sold, work in process
    c. work in process, finished goods, raw materials, cost of goods sold
    d. cost of goods sold, raw materials, work in process, finished goods

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

61. Which of the following would record the labor costs to an individual job?
    a. clock cards
    b. in-and-out cards
    c. time tickets
    d. a payroll register

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

62. The Thomlin Company forecasts that total overhead for the current year will be $15,500,000 with 250,000 total machine hours. Year to date, the actual overhead is $16,000,000 and the actual machine hours are 330,000 hours. The predetermined overhead rate based on machine hours is
    a. $48 per machine hour
    b. $62 per machine hour
    c. $45 per machine hour
    d. $50 per machine hour

ANSWER: b
RATIONALE: Predetermined Overhead Rate = Estimated Total Overhead Costs / Estimated Activity Base = $15,500,000 / 250,000 machine hours = $62 per machine hour
DIFFICULTY: Bloom's: Applying
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

63. The Thomlin Company forecasts that total overhead for the current year will be $15,000,000 with 300,000 total machine hours. Year to date, the actual overhead is $16,000,000 and the actual machine hours are 330,000 hours. If the Thomlin Company uses a predetermined overhead rate based on machine hours for applying overhead, as of this point in

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time (year to date), the overhead is

a. $1,000,000 overapplied
b. $1,000,000 underapplied
c. $500,000 overapplied
d. $500,000 underapplied

ANSWER: c

RATIONALE: Predetermined Overhead Rate = Estimated Total Overhead Costs / Estimated Activity Base = $15,000,000 / 300,000 machine hours = $50 per machine hour
Applied overhead = Predetermined overhead rate × Actual machine hours = $50 × 330,000 machine hours = $16,500,000
Overapplied overhead = Applied overhead – Actual overhead = $16,500,000 – $16,000,000 = $500,000

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

64. At the end of the year, overhead applied was $42,000,000. Actual overhead was $40,300,000. Closing over/underapplied overhead into Cost of Goods Sold would cause net income to

a. increase by $1,700,000
b. decrease by $1,700,000
c. increase by $3,400,000
d. decrease by $3,400,000

ANSWER: a

RATIONALE: Net income will increase since overheads have been overapplied.
Increase in net income = Applied overhead – Actual overhead = $42,000,000 – $40,300,000 = $1,700,000

DIFFICULTY: Bloom's: Remembering
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

65. Which of the following is a period cost?

a. depreciation on factory lunchroom furniture
b. salary of telephone receptionist in the sales office
c. salary of a security guard for the factory parking lot
d. computer chips used by a computer manufacturer

ANSWER: b

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

66. Which of the following is a product cost?
    a. salary of a sales manager
    b. advertising for a particular product
    c. drill bits for a drill press used in the plant assembly area
    d. salary of the company receptionist

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

67. The document authorizing the issuance of materials from the storeroom is a
    a. materials requisition
    b. purchase requisition
    c. receiving report
    d. purchase order

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

68. The source document for the data for debiting Work in Process for direct materials is a
    a. purchase order
    b. purchase requisition
    c. materials requisition
    d. receiving report

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

69. In a job order cost accounting system, the entry to record the flow of direct materials into production is to
    a. debit Work in Process, credit Materials

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b. debit Materials, credit Work in Process
c. debit Factory Overhead, credit Materials
d. debit Work in Process, credit Supplies

ANSWER: a
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

70. A summary of the materials requisitions completed during a period serves as the basis for transferring the cost of the materials from the controlling account in the general ledger to the controlling accounts for
a. Work in Process and Cost of Goods Sold
b. Work in Process and Factory Overhead
c. Finished Goods and Cost of Goods Sold
d. Work in Process and Finished Goods

ANSWER: b
DIFFICULTY: Challenging
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

71. In a job order cost accounting system, when goods that have been ordered are received, the receiving department personnel count, inspect the goods, and complete a
a. purchase order
b. sales invoice
c. receiving report
d. purchase requisition

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

72. The amount of time spent by an employee on an individual job are recorded on
a. pay stubs
b. in-and-out cards
c. time tickets
d. employees' earnings records

ANSWER: c
DIFFICULTY: Easy

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Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

73. The amount of time spent by an employee in the factory is usually recorded on
a. time tickets
b. job order cost sheets
c. employees' earnings records
d. statement of owners' equity

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

74. The basis for recording direct and indirect labor costs incurred is a summary of the period's
a. job order cost sheets
b. time tickets
c. employees' earnings records
d. clock cards

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

75. The entry to record the flow of direct labor costs into production in a job order cost accounting system is to
a. debit Factory Overhead, credit Work in Process
b. debit Finished Goods, credit Wages Payable
c. debit Work in Process, credit Wages Payable
d. debit Factory Overhead, credit Wages Payable

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

76. At the end of July, the first month of the current fiscal year, the factory overhead account had a debit balance. Which of the following describes the nature of this balance and how it would be reported on the interim balance sheet?

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a. overapplied, deferred credit
b. underapplied, deferred debit
c. underapplied, deferred credit
d. overapplied, deferred debit

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

77. At the end of the fiscal year, the balance in Factory Overhead is small. The balance would be
a. transferred to Work in Process
b. transferred to Cost of Goods Sold
c. transferred to Finished Goods
d. allocated between Work in Process and Finished Goods

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

78. The details concerning the costs incurred on each job order are accumulated in a work in process account and supported by a
a. stock ledger
b. materials ledger
c. cost ledger
d. creditors ledger

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

79. Each document in the cost ledger is called a
a. finished goods sheet
b. stock record
c. materials requisition
d. job cost sheet

ANSWER: d
DIFFICULTY: Easy

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Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

80. Selected accounts with amounts omitted are as follows

Work in Process

Aug. 1	Balance	275,000	Aug. 31	Goods finished	1,030,000
31	Direct materials	X			
31	Direct labor	450,000			
31	Factory overhead	X			

Factory Overhead

Aug. 1–31	Costs incurred	145,000	Aug. 1	Balance	15,000
			31	Applied (30% of direct labor cost)	X

If the balance of Work in Process on August 31 is $220,000, what was the amount debited to Work in Process for direct materials in August?

a. $390,000
b. $170,000
c. $525,000
d. $580,000

ANSWER: a
RATIONALE: Amount debited to Work in Process for direct materials in August = Finished goods + Balance of Work in Process on August 31 – Balance of Work in Process on August 1 – Direct labor – Applied factory overhead = $1,030,000 + $220,000 – $275,000 – $450,000 – ($450,000 × 30%) = $390,000
DIFFICULTY: Bloom's: Applying
Challenging
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

81. Selected accounts with some amounts omitted are as follows

Work in Process

Aug. 1	Balance	275,000	Aug. 31	Goods finished	1,030,000
31	Direct materials	X			
31	Direct labor	450,000			
31	Factory overhead	X			

Factory Overhead

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Aug. 1—31	Costs incurred	145,000	Aug. 1	Balance		15,000
			31	Applied		X

If the balance of Work in Process on August 31 is $220,000, what was the amount debited to Work in Process for factory overhead in August, assuming a factory overhead rate of 30% of direct labor costs?

a. $135,000
b. $10,000
c. $120,000
d. $70,000

ANSWER: a

RATIONALE: Amount debited to Work in Process for factory overhead in August = Direct labor costs × Factory overhead rate = $450,000 × 30% = $135,000

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

82. Selected accounts with some amounts omitted are as follows

Work in Process

Oct. 1	Balance	20,000	Oct. 31	Goods finished	X
31	Direct materials	96,700			
31	Direct labor	201,000			
31	Factory overhead	X			

Finished Goods

Oct. 1	Balance	52,000			
31	Goods finished	360,000			

If the balance of Work in Process on October 31 is $21,000, what was the amount of factory overhead applied in October?

a. $63,300
b. $21,300
c. $42,300
d. $11,300

ANSWER: a

RATIONALE: Amount of factory overhead applied in October = Finished goods + Balance of Work in Process on October 31 – Balance of Work in Process on October 1 – Direct materials – Direct labor = $360,000 + $21,000 – $20,000 – $96700 – $201,000 = $63,300

DIFFICULTY: Bloom's: Applying
Challenging

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

83. Selected accounts with a credit amount omitted are as follows

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Work in Process

Apr. 1	Balance	7,000	Apr. 30	Goods finished	X
30	Direct materials	78,400			
30	Direct labor	195,000			
30	Factory overhead	136,500			

Finished Goods

Apr. 1	Balance	42,000			
30	Goods finished	387,000			

What was the balance of Work in Process as of April 30?

a. $8,100
b. $35,000
c. $29,900
d. $22,900

ANSWER: c

RATIONALE: Balance of Work in Process as of April 30 = Finished goods – Balance of Work in Process on April 1 – Direct materials – Direct labor – Factory overhead = $387,000 – $7,000 – $78,400 – $195,000 – $136,500 = $29,900

DIFFICULTY: Bloom's: Applying
Challenging

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

84. If the amount of factory overhead cost incurred exceeds the amount applied, the factory overhead account will have a

a. debit balance and be underapplied
b. credit balance and be underapplied
c. credit balance and be overapplied
d. debit balance and be overapplied

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

85. The recording of the factory labor incurred for general factory use would include a debit to

a. Factory Overhead
b. Wages Payable
c. Wages Expense
d. Cost of Goods Sold

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

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LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

86. The recording of the application of factory overhead costs to jobs would include a credit to
    a. Factory Overhead
    b. Wages Payable
    c. Work in Process
    d. Cost of Goods Sold

ANSWER: a
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

87. The recording of the jobs completed would include a debit to
    a. Factory Overhead
    b. Finished Goods
    c. Work in Process
    d. Cost of Goods Sold

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

88. Recording jobs completed would include a credit to
    a. Factory Overhead
    b. Finished Goods
    c. Work in Process
    d. Cost of Goods Sold

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

89. Recording jobs shipped and customers billed would include a debit to
    a. Accounts Payable

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b. Cash
c. Finished Goods
d. Cost of Goods Sold

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

90. Recording jobs shipped and customers billed would include a credit to
a. Accounts Payable
b. Cash
c. Finished Goods
d. Cost of Goods Sold

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

91. The finished goods account is the controlling account for the
a. cost ledger
b. materials ledger
c. work in process ledger
d. stock ledger

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

92. The controlling account for the cost ledger is
a. Finished Goods
b. Materials
c. Work in Process
d. Cost of Goods Sold

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

93. Reynolds Manufacturers Inc. has estimated total factory overhead costs of $95,000 and expected direct labor hours of 9,500 for the current fiscal year. If job number 117 incurs 2,300 direct labor hours, Work in Process will be debited and Factory Overhead will be credited for

a. $21,850
b. $2,300
c. $95,000
d. $23,000

ANSWER: d

RATIONALE: Predetermined Factory Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $95,000 / 9,500 labor hours = $10 per labor hour
Amount credited to Factory Overhead = Predetermined factory overhead rate × Direct labor hours = $10 × 2,300 labor hours = $23,000

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

94. A widely used activity base for developing factory overhead rates in highly automated settings is

a. direct labor hours
b. direct labor dollars
c. direct materials
d. machine hours

ANSWER: d

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

95. When Job 117 was completed, direct materials totaled $4,400; direct labor, $5,600; and factory overhead, $2,400. A total of 1,000 units were produced at a per-unit cost of

a. $12,400
b. $1,240
c. $124
d. $12.40

ANSWER: d

RATIONALE: Total cost = Direct materials + Direct labor + Factory overhead = $4,400 + $5,600 + $2,400 = $12,400
Per unit cost = $12,400 / 1,000 units = $12.40

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DIFFICULTY: Bloom's: Applying
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

96. The entries to record cost and sale of a finished good on account is
a. debit Cost of Goods Sold, credit Finished Goods
b. debit Cost of Goods Sold, credit Finished Goods, debit Accounts Receivable, credit Sales
c. debit Sales Expense, credit Finished Goods, credit Cash, credit Accounts Receivable
d. debit Work in Process, credit Finished Goods, debit Accounts Receivable, credit Sales

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

97. All of the following are examples of activity bases **except**
a. salaries of supervisors
b. quality inspections of products
c. number of machine setups
d. raw materials storage

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

98. Materials purchased on account during the month totaled $190,000. Materials requisitioned and placed in production totaled $165,000. The journal entry to record the material purchase on account is

a. Materials	165,000	
Accounts Payable		165,000
b. Materials	190,000	
Accounts Payable		190,000
c. Materials	190,000	
Cash		190,000
d. Accounts Payable	190,000	
Materials		190,000

ANSWER: b
DIFFICULTY: Moderate
Bloom's: Remembering

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LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

99. Materials purchased on account during the month amounted to $190,000. Materials requisitioned and placed in production totaled $156,000. The entry to record the transaction for materials requisitioned by the production department is

a.	Materials	156,000	
	Work in Process		156,000
b.	Work in Process	190,000	
	Materials		190,000
c.	Work in Process	156,000	
	Materials		156,000
d.	Work in Process	156,000	
	Cash		156,000

ANSWER: c

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

100. During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use. In addition, factory overhead charged to production was $32,000. The entry to record the direct labor costs is

a.	Work in Process	150,000	
	Wages Payable		150,000
b.	Work in Process	175,000	
	Wages Payable		175,000
c.	Wages Payable	175,000	
	Work in Process		175,000
d.	Wages Payable	150,000	
	Work in Process		150,000

ANSWER: a

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

101. During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use. Factory overhead applied to production was $32,000. The entry to record the actual factory overhead costs incurred is

a.	Accounts Payable	25,000	
	Factory Overhead		25,000

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b. Factory Overhead 32,000
Accounts Payable 32,000

c. Work in Process 25,000
Wages Payable 25,000

d. Factory Overhead 25,000
Wages Payable 25,000

ANSWER: d

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

102. During the period, labor costs incurred on account amounted to $175,000, including $150,000 for production orders and $25,000 for general factory use. Factory overhead applied to production was $23,000. The entry to record the factory overhead applied to production is

a. Work in Process 25,000
Factory Overhead 25,000

b. Factory Overhead 23,000
Work in Process 23,000

c. Work in Process 23,000
Factory Overhead 23,000

d. Factory Overhead 25,000
Accounts Payable 25,000

ANSWER: c

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

103. The cost of production of completed and transferred goods during the period amounted to $540,000, and the finished products shipped to customers had total production costs of $375,000. The entry to record the transfer of costs from work in process to finished goods is

a. Finished Goods 375,000
Work in Process 375,000

b. Finished Goods 540,000
Work in Process 540,000

c. Work in Process 540,000
Finished Goods 540,000

d. Work in Process 375,000
Finished Goods 375,000

ANSWER: b

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

104. The cost of production of completed and transferred goods during the period amounted to $540,000, and the finished products shipped to customers had production costs of $375,000. The entry to record the transfer of costs from finished goods to cost of goods sold is

a. Finished Goods 540,000
Cost of Goods Sold 540,000

b. Finished Goods 375,000
Cost of Goods Sold 375,000

c. Cost of Goods Sold 375,000
Finished Goods 375,000

d. Cost of Goods Sold 540,000
Finished Goods 540,000

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

105. Costs that are incurred in generating revenues during the period, but are not involved in the manufacturing process are referred to as

a. period costs
b. conversion costs
c. factory overhead costs
d. product costs

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

106. Costs that are treated as assets until the product is sold are

a. product costs
b. period costs
c. conversion costs
d. selling expenses

ANSWER: a
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

107. The period costs of a textbook printer would include
a. wages of a press operator
b. factory insurance costs
c. CEO salary expense
d. paper costs

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

108. Which types of inventories does a manufacturing business report on the balance sheet?
a. finished goods inventory and work in process inventory only
b. direct materials inventory and work in process inventory only
c. direct materials inventory, work in process inventory, and finished goods inventory
d. direct materials inventory and finished goods inventory only

ANSWER: c
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

109. For a manufacturing business, products that are in the process of being manufactured are referred to as
a. supplies inventory
b. work in process inventory
c. finished goods inventory
d. direct materials inventory

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

110. The journal entry to record the purchase of $45,000 of raw materials is
a. Materials 45,000

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Accounts Receivable		45,000
b. Materials	45,000	
Accounts Payable		45,000
c. Inventory	45,000	
Accounts Receivable		30,000
d. Inventory	45,000	
Cash		45,000

ANSWER: b

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

111. The journal entry to record the transfer of 1,600 units of part number 1177 with a value of $2.50 each, to work in process is

a. Materials	4,000	
Work in Process		4,000
b. Work in Process	4,000	
Factory Overhead		4,000
c. Work in Process	4,000	
Materials		4,000
d. Work in Process	4,000	
Cash		4,000

ANSWER: c

RATIONALE: Number of units × Unit price = 1,600 × $2.50 = $4,000
The journal entry to record the transfer of 1,600 units of part number 1177 with a value of $2.50 each to work in process is to debit Work in Process and to credit Materials for $4,000.

DIFFICULTY: Bloom's: Remembering
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

112. Which of the following represents the factory overhead applied to a product?

a. predetermined factory overhead rate times estimated activity base
b. actual factory overhead rate times estimated activity base
c. predetermined factory overhead rate times actual activity base
d. actual factory overhead rate times actual activity base

ANSWER: c

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

113. Which of the following is the formula to calculate the predetermined factory overhead rate?
a. estimated total factory overhead costs divided by estimated activity base
b. actual total factory overhead costs divided by estimated activity base
c. estimated total factory overhead costs divided by actual activity base
d. actual total factory overhead costs divided by actual activity base

ANSWER: a
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

114. Aspen Technologies has the following budget data:

Estimated direct labor hours	15,000
Estimated direct labor dollars	$90,000
Estimated factory overhead costs	$198,000

If factory overhead is to be applied based on direct labor hours, the predetermined overhead rate is
a. $7.50
b. $13.20
c. $2.20
d. $16.50

ANSWER: b
RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $198,000 / 15,000 labor hours = $13.20 per labor hour
DIFFICULTY: Bloom's: Applying
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

115. A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual factory overhead costs incurred were $377,200, and actual direct labor hours were 36,000. What is the amount of overapplied or underapplied manufacturing overhead at the end of the year?
a. $6,000 overapplied
b. $6,000 underapplied
c. $54,800 overapplied
d. $54,800 underapplied

ANSWER: c
RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated

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Activity Base = $360,000 / 30,000 direct labor hours = $12 per direct labor hour
Applied factory overhead costs = Predetermined overhead rate × Actual direct labor hours = $12 × 36,000 direct labor hours = $432,000
Amount of overapplied overhead = Applied factory overhead costs – Actual factory overhead costs = $432,000 – $377,200 = $54,800

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

116. The following budget data are available for Sharp Company:

Estimated direct labor hours	12,000
Estimated direct labor dollars	$90,000
Estimated factory overhead costs	$179,000
Actual direct labor hours	11,500
Actual direct labor dollars	$92,000
Actual factory overhead costs	$180,000

If factory overhead is to be applied based on direct labor dollars, the predetermined overhead rate is

a. 199%
b. 196%
c. $14.92
d. $15.65

ANSWER: a

RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $179,000 / $90,000 direct labor hours = 199%

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

117. A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. What is the predetermined overhead rate per direct labor hour?

a. $12.00
b. $10.00
c. $12.57
d. $10.48

ANSWER: a

RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $360,000 / 30,000 direct labor hours = $12 per direct labor hour

DIFFICULTY: Bloom's: Applying
Moderate

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LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

118. A manufacturing company applies factory overhead based on direct labor hours. At the beginning of the year, it estimated that factory overhead costs would be $360,000 and direct labor hours would be 30,000. Actual manufacturing overhead costs incurred were $377,200, and actual direct labor hours were 36,000. The entry to apply the factory overhead costs for the year would include a

a. debit to Factory Overhead for $360,000
b. credit to Factory Overhead for $432,000
c. debit to Factory Overhead for $377,200
d. credit to Factory Overhead for $360,000

ANSWER: b

RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $360,000 / 30,000 direct labor hours = $12 per direct labor hour
Applied factory overhead costs = Predetermined overhead rate × Actual direct labor hours = $12 × 36,000 direct labor hours = $432,000
The journal entry to apply the factory overhead costs for the year would include a credit to Factory Overhead for $432,000.

DIFFICULTY: Bloom's: Remembering
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

119. The following budget data are available for Sharp Company:

Estimated direct labor hours	12,000
Estimated direct labor dollars	$90,000
Estimated factory overhead costs	$180,000
Actual direct labor hours	11,500
Actual direct labor dollars	$92,000
Actual factory overhead costs	$181,000

If factory overhead is applied based on direct labor hours, the amount of overhead to be applied is

a. $180,000
b. $181,000
c. $172,500
d. $184,000

ANSWER: c

RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $180,000 / 12,000 direct labor hours = $15 per direct labor hour
Applied factory overhead costs = Predetermined overhead rate × Actual direct labor hours = $15 × 11,500 direct labor hours = $172,500

DIFFICULTY: Bloom's: Applying
Moderate

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LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

Adams Company is a manufacturing company that has worked on several production jobs during the first quarter of the year. Below is a list of all the jobs for the quarter:

	Balance
Job No. 356	$ 450
Job No. 357	1,235
Job No. 358	378
Job No. 359	689
Job No. 360	456

Jobs 356, 357, 358, and 359 were completed. Jobs 356 and 357 were sold at a profit of $500 on each job.

120. What is the ending balance of Work in Process for Adams Company at the end of the first quarter?
a. $0
b. $456
c. $3,208
d. $2,752

ANSWER: b

RATIONALE: Only Job No. 360 is still incomplete and hence will be considered Work in Process. Therefore, the ending balance of Work in Process for Adams Company at the end of the first quarter is $456.

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

121. What is the ending balance of Cost of Goods Sold for Adams Company at the end of the first quarter?
a. $456
b. $2,685
c. $1,685
d. $685

ANSWER: c

RATIONALE: Jobs 356 and 357 were sold during the quarter. Ending balance of Cost of Goods Sold for Adams Company at the end of the first quarter = Cost of Job 356 + Cost of Job 357 = $450 + $1,235 = $1,685

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
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BUSPROG: Analytic

122. What is the ending balance of Finished Goods for Adams Company at the end of the first quarter?

a. $456
b. $1,067
c. $1,685
d. $2,752

ANSWER: b

RATIONALE: Jobs 358 and 359 were completed during the quarter but not sold. Ending balance of Finished Goods for Adams Company at the end of the first quarter = Ending balance of Job 358 + Ending balance of Job 359 = $378 + $689 = $1,067

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

123. What is the balance of Sales for Adams Company at the end of the first quarter?

a. $1,685
b. $2,685
c. $1,000
d. $685

ANSWER: b

RATIONALE: Jobs 356 and 357 were sold during the quarter. Ending balance of Cost of Goods Sold for Adams Company at the end of the first quarter = Cost of Job 356 + Cost of Job 357 = $450 + $1,235 = $1,685
Jobs 356 and 357 were sold at a profit of $500 on each job. Balance of Sales for Adams Company at the end of the first quarter = Ending balance of Cost of Goods Sold for Adams Company at the end of the first quarter + Profit on Job 356 + Profit on Job 357 = $1,685 + $500 + $500 = $2,685

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

124. What is the gross profit for Adams Company at the end of the first quarter?

a. $1,685
b. $2,685
c. $1,000
d. $685

ANSWER: c

RATIONALE: Jobs 356 and 357 were sold at a profit of $500 on each job. Gross profit for Adams Company at the end of the first quarter = Profit on Job 356 + Profit on Job 357 = $500 +

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	$500 = $1,000
DIFFICULTY:	Bloom's: Applying Moderate
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management BUSPROG: Analytic

125. Bar code scanners are now being used to track incoming materials and to electronically transmit this data. Scanners have replaced which of the following?

a. receiving report
b. materials requisition
c. materials ledger
d. job cost sheet

ANSWER:	a
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management BUSPROG: Analytic

126. A separate account for each material is found in a

a. general ledger
b. materials ledger
c. receiving report
d. job cost sheet

ANSWER:	b
DIFFICULTY:	Easy Bloom's: Remembering
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management BUSPROG: Analytic

127. The materials requisition is used to

a. release materials from the storeroom to the factory
b. release finished goods to the shipping department
c. record the acquisition of materials from a vendor
d. record and electronically transmit materials data in place of a receiving report

ANSWER:	a
DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management

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BUSPROG: Analytic

128. Period costs are
a. found on the balance sheet
b. not involved in the production process
c. classified as direct labor, direct material, or factory overhead
d. found on the job order cost sheets

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

129. The Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. If the actual factory overhead totaled $141,800, determine the over- or underapplied amount for the month.
a. $7,575 underapplied b. $35,220 underapplied
c. $7,575 overapplied d. $35,220 overapplied

ANSWER: c
RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $1,250,000 / 40,000 = $31.25 per machine hour
Applied factory overhead costs = Predetermined overhead rate × Actual machine hours = $31.25 × 4,780 machine hours = $149,375
Amount of overapplied overhead = Applied factory overhead – Actual factory overhead = $149,375 – $141,800 = $7,575

DIFFICULTY: Bloom's: Applying
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

130. Period costs are classified as either
a. selling expenses or production expenses
b. administrative expense or production expenses
c. selling expenses or administrative expenses
d. general expenses or selling expenses

ANSWER: c
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
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ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

131. The Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300. The actual factory overhead for the year were $1,375,000. Determine the over- or underapplied amount for the year.

a. $17,500 overapplied
b. $17,500 underapplied
c. $118,250 overapplied
d. $118,250 underapplied

ANSWER: b

RATIONALE: Predetermined Overhead Rate = Estimated Total Factory Overhead Costs / Estimated Activity Base = $1,250,000 / 50,000 = $25 per machine hour
Applied factory overhead costs = Predetermined overhead rate × Actual machine hours = $25 × 54,300 machine hours = $1,357,500
Amount of underapplied overhead = Actual factory overhead – Applied factory overhead = $1,375,000 – $1,357,500 = $17,500

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

132. Sanders Inc. has applied $567,988 of overhead to jobs in the cost ledger. Actual overhead at the end of the year is $575,000. The adjustment for over or underapplied overhead is

a. $7,012 overapplied, increase Cost of Goods Sold
b. $7,012 underapplied, increase Cost of Goods Sold
c. $7,012 overapplied, decrease Cost of Goods Sold
d. $7,012 underapplied, decrease Cost of Goods Sold

ANSWER: b

RATIONALE: Amount of underapplied overhead = Actual overhead – Applied overhead = $575,000 – $567,988 = $7,012
This will increase the Cost of Goods Sold.

DIFFICULTY: Bloom's: Applying
Moderate

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

133. All of the following are true regarding product costs **except**

a. product costs are found on the balance sheet until they are sold
b. product costs consist of direct labor, direct materials, and factory overhead
c. product costs can be found in three accounts on the balance sheet
d. product costs include sales and administrative expenses

ANSWER: d

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DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

134. Job cost sheets can provide information to managers for all **except**
a. the cost impact of materials changes
b. the cost impact of continuous improvement in the manufacturing process
c. the cost impact of materials price or direct labor rate changes over time
d. utilities, managerial salaries, and depreciation of computers in the corporate office

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

135. A difference in quantity of materials used on two comparable jobs may be caused by
a. inadequately trained employees
b. poor quality materials
c. employee carelessness
d. all of these

ANSWER: d
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-03 - 02-03
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

136. Which of the following would **not** be found in the accounting system of a service provider?
a. cost ledger
b. finished goods ledger
c. deferred revenue account
d. job cost sheets

ANSWER: b
DIFFICULTY: Bloom's: Remembering
Moderate
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

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137. Which of the following entries would **not** be found on the books of a service provider?

a. a debit to Work in Process; and a credit to Materials
b. a debit to Work in Process; and a credit to Wages Payable
c. a debit to Work in Process; and a credit to Overhead
d. a debit to Cost of Services; and a credit to Work in Process

ANSWER: a
DIFFICULTY: Moderate
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

138. In a job order cost accounting system used by a service business, which of the following items would normally **not** be included as part of overhead?

a. materials
b. direct labor
c. rent
d. supplies

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

139. The direct labor and overhead costs of providing services to clients are accumulated in

a. finished services expense
b. work in process
c. administrative salaries expense
d. overhead

ANSWER: b
DIFFICULTY: Easy
Bloom's: Remembering
LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04
ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

140. When a job is completed in a service organization, the job costs are transferred to the

a. work in process account
b. cost of services account
c. finished goods account
d. cost of goods sold account

ANSWER: b

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DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-04 - 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

141. Define and discuss the two main types of cost accounting systems for manufacturing operations. What are their similarities and differences?

ANSWER: The two main types of cost accounting systems are job order cost systems and process cost systems.

A job order cost system provides product costs for each quantity of product that is manufactured. Each quantity of product that is produced is called a job. This type of system is used by companies that manufacture custom products or batches of similar products.

A process cost system provides product costs for each manufacturing department or process. Process cost systems are used by companies that manufacture products that are indistinguishable from each other and manufactured using a continuous process.

They are similar in that both systems are widely used and a company may use both—job order for some products and process costing for others.

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: ACCT.WARD.16.17-01 - 17-01

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

142. Record the journal entries for the following transactions:

1. March 10: 500 units of raw materials were purchased on account at $4.00 per unit.
2. March 15: 250 units of raw materials were requisitioned at $4.50 per unit for production, Job 872.
3. March 25: 215 units of raw materials were requisitioned at $5.00 per unit for production, Job 879.

ANSWER:

March 10	Materials	2,000	
	Accounts Payable		2,000
15	Work in Process	1,125	
	Materials		1,125
25	Work in Process	1,075	
	Materials		1,075

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

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143. The Cavy Company accumulated 560 hours of direct labor on Job 345 and 800 hours on Job 777. The direct labor was incurred at a rate of $20 per direct labor hour for Job 345 and $21 per direct labor for Job 777. Journalize the entry to record the flow of labor costs into production.

ANSWER:

Work in Process	28,000*	
Wages Payable		28,000

*(560 × $20) + (800 × $21) = $28,000

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

144. During April, Cavy Company incurred factory overhead as follows:

Indirect materials	$11,000
Factory supervision labor	4,000
Utilities	500
Depreciation (factory)	700
Small tools	300
Equipment rental	750

Record the entry for factory overhead incurred during April.

ANSWER:

Factory Overhead	17,250	
Materials		11,000
Wages Payable		4,000
Utilities Payable		500
Accumulated Depreciation		700
Small Tools		300
Equipment Rental Payable		750

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

145. Cavy Company estimates that total factory overhead costs will be $660,000 for the year. Direct labor hours are estimated to be 100,000.

Determine (a) the predetermined factory overhead rate; (b) the amount of factory overhead applied to Job 345 if the amount of direct labor hours is 560 and Job 777 if the amount of direct labor hours is 800; and (c) prepare the journal entry to apply factory overhead for April according to the predetermined overhead rate.

ANSWER:

(a) $660,000 / 100,000 = $6.60

(b) Job 345: 560 hrs. × $6.60 = $3,696
Job 777: 800 hrs. × $6.60 = $5,280

(c)

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Work in Process	8,976	
Factory Overhead		8,976

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

146. The Cavy Company estimates that the factory overhead for the following year will be $1,470,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. Calculate the predetermined overhead rate to apply factory overhead.

ANSWER: $1,470,000 / 40,000 = $36.75 per machine hour

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

147. The Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has determined that the basis for applying factory overhead will be machine hours, which is estimated to be 40,000 hours. There are 4,780 machine hours for all of the jobs in the month of April. What is the amount that will be applied to all of the jobs for the month of April?

ANSWER: $1,250,000 / 40,000 hours = $31.25
4,780 hours × $31.25 = $149,375

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

148. The Cavy Company estimates that the factory overhead for the following year will be $1,470,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. Prepare the journal entry to apply factory overhead.

ANSWER:

Work in Process	175,665*	
Factory Overhead		175,665

*($1,470,000/40,000) × 4,780

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

149. At the end of April, Cavy Company had completed Jobs 766 and 765. The individual job cost sheets reveal the following information:

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Job	Direct Materials	Direct Labor	Machine Hours
Job No. 765	$5,670	$3,500	27
Job No. 766	$8,900	$4,775	44

Job 765 produced 152 units, and Job 766 consisted of 250 units.

Assuming that the predetermined overhead rate is applied by using machine hours at a rate of $200 per hour, determine the (a) balance on the job cost sheets for each job, and (b) the cost per unit at the end of April.

ANSWER: a) Job No. 765 = $14,570 ($5,670 + $3,500 + (27 × $200)

Job No. 766 = $22,475 ($8,900 + $4,775 + (44 × $200)

b) Job No. 765 = $95.86 ($14,570 / 152)

Job No. 766 = $89.90 ($22,475 / 250)

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

150. Cavy Company completed 26,000 units during the year at a cost of $2,139,800. The beginning finished goods inventory was 5,000 units valued at $405,000. Assuming a FIFO cost flow, determine the cost of goods sold for 20,000 units.

ANSWER: $405,000 + (15,000 × $82.30) = $1,639,500

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

151. The Cavy Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 40,000 hours. The machine hours for the month of April for all of the jobs were 4,780. If the actual factory overhead totaled $141,800, determine the over- or underapplied amount for the month.

ANSWER: $1,250,000 / 40,000 = $31.25
$31.25 × 4,780 = 149,375 factory overhead applied
$141,800 – $149,375 = $7,575 overapplied

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

152. The Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300 hours. The actual factory overhead for the year was $1,375,000.

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(a) Determine the total factory overhead amount applied.
(b) Calculate the over- or underapplied amount for the year.
(c) Prepare the journal entry to close Factory Overhead into Cost of Goods Sold.

ANSWER: (a) $1,250,000 / 50,000 = $25
54,300 hours × $25 = $1,357,500

(b) $1,375,000 actual – $1,357,500 applied = $17,500 underapplied

(c)

Cost of Goods Sold	17,500	
Factory Overhead		17,500

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

153. The Winston Company estimates that the factory overhead for the following year will be $1,250,000. The company has decided that the basis for applying factory overhead should be machine hours, which is estimated to be 50,000 hours. The total machine hours for the year were 54,300. The actual factory overhead for the year were $1,348,800.

(a) Determine the total factory overhead amount applied.
(b) Calculate the over- or underapplied amount for the year.
(c) Prepare the journal entry to close Factory Overhead into Cost of Goods Sold.

ANSWER: (a) $1,250,000 /50,000 = $25
54,300 hours × $25 = $1,357,500

(b) $1,348,800 actual – $1,357,500 applied = $8,700 overapplied

(c)

Factory Overhead	8,700	
Cost of Goods Sold		8,700

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

154. Cranston Company estimates the following overhead costs for the coming year:

Equipment depreciation	$160,000
Equipment maintenance	60,000
Supervisory salaries	40,000
Factory rent	100,000
Total	$360,000

Cranston is also budgeting $600,000 in direct labor costs and 15,000 machine hours for the coming year.

(a) Calculate the predetermined overhead rate using direct labor costs as the allocation base.
(b) Calculate the predetermined overhead rate using machine hours as the allocation base.

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ANSWER: (a) $360,000 / $600,000 = 60% of direct labor costs
(b) $360,000/15,000 machine hours = $24.00 per machine hour

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

155. Flagler Company allocates overhead based on machine hours. It estimated overhead costs for the year to be $420,000. Estimated machine hours were 50,000. Actual hours and costs for the year were 46,000 machine hours and $380,000 of overhead.

(a) Calculate the overhead application rate for the year.
(b) What is the amount of applied overhead for the year?
(c) What is the amount of under or overapplied overhead for the year? Indicate whether it is over or underapplied.

ANSWER: (a) $420,000 / 50,000 = $8.40 per machine hour

(b) $8.40 × 46,000 = $386,400

(c) $380,000 – $386,400 = $6,400 overapplied

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

156. The Jase Company allocates overhead based on a predetermined overhead rate of $9.00 per direct labor hour. Job J904 required 8 tons of direct material at a cost of $600 per ton and took employees who earn $21 per hour a total of 80 hours to complete. What is the total cost of Job J904?

ANSWER:

Direct materials	8 tons × $600	$4,800
Direct labor	80 hours × $21	1,680
Manufacturing overhead	80 hours × $9	720
Total cost of J904		$7,200

DIFFICULTY: Easy
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

157. Technics Inc., a manufacturing company, utilizes job order costing. Each division establishes its own estimates regarding overhead, which are as follows:

	Division A	Division B
Total estimated overhead	$128,000	$261,000
Total estimated machine hours	16,000	72,500
Total estimated direct labor costs	$155,000	$290,000

If Division A allocates overhead on the basis of machine hours, and Division B allocates overhead as a percentage of

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direct labor costs, what would the predetermined overhead rate be for each division?

ANSWER: $128,000 / 16,000 = $8 per machine hour

$261,000 / $290,000 = 90% of direct labor costs

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

158. Crain Company budgeted 35,000 direct labor hours and incurred 40,000 direct labor hours. It incurred $780,000 of overhead and estimated overhead was $735,000.

What is Crain's predetermined overhead rate? Was overhead overapplied or underapplied for the year? By how much?

ANSWER: Predetermined overhead rate: $735,000/35,000 = $21 per direct labor hour

Applied overhead: $21 × 40,000 =	$840,000
Actual overhead	780,000
Overapplied overhead	$ 60,000

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

159. National Survey Company uses a job order cost system.

(a) Indicate the source of the data for debiting Work in Process for each of the following:
(1) Direct materials requisitioned
(2) Direct labor used

(b) Indicate the source of the data for crediting Work in Process for jobs completed.

(c) Present a list of the three controlling accounts used in the general ledger to record the inventories and, in each case, indicate the related subsidiary ledger.

ANSWER: (a) (1) Summary of materials requisitions
(2) Summary of time tickets

(b) Summary of job cost sheets for jobs completed

(c)

Controlling Account	Subsidiary Ledger
Materials	Materials ledger
Work in Process	Cost ledger
Finished Goods	Finished goods ledger (or stock ledger)

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing

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ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

160. During August, the receipts and distributions of Material No. B4G9 are as follows:

		Received
Aug.	3	1,100 units at $15
	16	1,700 units at $17
	29	900 units at $18

		Issued
Aug.	11	700 units for Job No. 116
	18	1,900 units for Job No. 117
	30	800 units for Job No. 118

(a) Determine the cost of each of the three issues under a perpetual system, using the first-in, first-out method.

(b) Present the journal entry to record the issuance of the materials for the month, assuming that the cost of issuances is determined by the first-in, first-out method.

ANSWER:

(a)

Aug.	11	issue:	700 × $15	$10,500
	18	issue:	(400 × $15) + (1,500 × $17)	31,500
	31	issue:	(200 × $17) + (600 ×$18)	14,200
				$56,200

(b)

Work in Process	56,200	
Materials		56,200

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

161. A summary of the time tickets for August follows:

Description	Amount	Description	Amount
Job No. 321	$11,000	Job No. 342	$8,300
Job No. 329	9,200	Job No. 346	5,700
Job No. 336	5,000	Indirect labor	8,000

Present the journal entries to record (a) the labor cost incurred and (b) the application of factory overhead to production for August. The factory overhead rate is 70% of direct labor cost.

ANSWER:

(a)

Work in Process	39,200	
Factory Overhead	8,000	
Wages Payable		47,200

(b)

Work in Process	27,440	
Factory Overhead		27,440

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

162. The following account appears in the ledger after only part of the postings have been completed for July, the first month of the current fiscal year:

	Work in Process	
July 1	Balance	60,200
	Direct materials	147,000
	Direct labor	120,000

Factory overhead is applied to jobs at the rate of 60% of direct labor cost. The actual factory overhead incurred for July was $75,000. Jobs completed during the month totaled $301,200.

(a) Prepare the journal entries to record (1) the application of factory overhead to production during July and (2) the jobs completed during July.

(b) What is the balance of the factory overhead account on July 31?

(c) Was factory overhead overapplied or underapplied on July 31?

(d) Determine the balance of Work in Process on July 31.

ANSWER:

(a) (1) Work in Process 72,000
Factory Overhead 72,000

(2) Finished Goods 301,200
Work in Process 301,200

(b) $3,000 debit

(c) Underapplied

(d) Total debits to work in process:

Balance, July 1	$ 60,200	
Direct materials	147,000	
Direct labor	120,000	
Factory overhead	72,000	$399,200
Less cost of goods finished, during July		301,200
Balance, Work in Process, July 31		$ 98,000

DIFFICULTY: Challenging
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

163. Present entries to record the following summarized operations related to production for a company using a job order cost system:

(a) Materials purchased on account $176,000

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(b)	Prepaid expenses incurred on account	12,200
(c)	Materials requisitioned:	
	For production orders	153,700
	For general factory use	2,700
(d)	Factory labor used:	
	On production orders	141,300
	For general factory purposes	12,000
(e)	Depreciation on factory equipment	37,000
(f)	Expiration of prepaid expenses, chargeable to factory	6,100
(g)	Factory overhead costs incurred on account	76,000
(h)	Factory overhead applied, based on machine hours	105,300
(i)	Jobs finished	415,300
(j)	Jobs shipped to customers: Cost	412,000
	Selling price (assume all sold on account)	638,000

ANSWER:

(a)	Materials	176,000	
	Accounts Payable		176,000
(b)	Prepaid Expenses	12,200	
	Accounts Payable		12,200
(c)	Work in Process	153,700	
	Factory Overhead	2,700	
	Materials		156,400
(d)	Work in Process	141,300	
	Factory Overhead	12,000	
	Wages Payable		153,300
(e)	Factory Overhead	37,000	
	Accumulated Depreciation—Factory Equipment		37,000
(f)	Factory Overhead	6,100	
	Prepaid Expenses		6,100
(g)	Factory Overhead	76,000	
	Accounts Payable		76,000
(h)	Work in Process	105,300	
	Factory Overhead		105,300
(i)	Finished Goods	415,300	
	Work in Process		415,300
(j)	Cost of Goods Sold	412,000	
	Finished Goods		412,000
	Accounts Receivable	638,000	
	Sales		638,000

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

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ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

164. The balance of Material Q on May 1 and the receipts and issuances during May are as follows:

Balance, May 1	8 at $32
Received, May 11	23 at $33
Received, May 25	15 at $35
Issued, May 17	14
Issued, May 27	18

Determine the cost of each of the issuances under a perpetual system, using the FIFO method.

ANSWER: May 17 issue: (8 × $32) + (6 × $33) = $454
May 27 issue: (17 × $33) + (1 × $35) = $596

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

165. Prepare the journal entry for materials and labor, based on the following:

Raw materials issued: Job No. 609, $850; for general use in factory, $600
Labor time tickets: Job No. 609, $1,600; $400 for supervision

ANSWER:

Work in Process	850	
Factory Overhead	600	
Raw Materials		1,450
Work in Process	1,600	
Factory Overhead	400	
Wages Payable		2,000

DIFFICULTY: Easy
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

166. Six selected transactions for the current month are indicated by letters in the following T accounts in a job order cost accounting system:

Materials	
	(a)

Work in Process	
(a)	(d)
(b)	
(c)	
(f)	

Wages Payable	
	(b)

Factory Overhead

Finished Goods

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(a)	(c)	(d)	(e)
(b)	(f)	(f)	

Cost of Goods Sold
(e)
(f)

Describe each of the six transactions.

ANSWER:
(a) direct and indirect materials are issued
(b) direct and indirect labor costs are incurred
(c) factory overhead is applied
(d) completed goods are transferred to finished goods
(e) goods are sold
(f) underapplied overhead is allocated

DIFFICULTY: Moderate
Bloom's: Applying

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

167. On November 2, Newsprint Manufacturing purchases 5 rolls of paper on account at $125 per roll for use within the production process. On November 5, 4 rolls of this paper are issued to Job 157A in the Printing Department. The Printing Department records $675 in direct labor and $1,150 of factory overhead to Job 157A. On November 8, Printing transfers Job 157A to the Folding Department. The Folding Department applies $450 in direct labor and $655 in factory overhead to Job 157A. Job 157A is transferred to Finished Goods inventory on November 9.

(a) Journalize the purchase of the paper.

(b) Journalize the transfer of raw materials to work in process, the application of direct labor, and the application of manufacturing overhead to Job 157A while in the Printing Department.

(c) Journalize the transfer of Job 157A to the Folding Department at actual cost.

(d) Journalize the application of direct labor and the application of manufacturing overhead to Job 157A while in the Folding Department.

(e) Journalize the transfer of Job 157A to Finished Goods Inventory at actual cost.

ANSWER:

(a)	Nov. 2	Raw Materials	625	
		Accounts Payable		625
(b)	Nov. 5	Work in Process—Printing	500	
		Raw Materials		500
	5	Work in Process—Printing	675	
		Wages Payable		675
	5	Work in Process—Printing	1,150	
		Factory Overhead		1,150
(c)	Nov. 8	Work in Process—Folding	2,325	
		Work in Process—Printing		2,325

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(d) Nov.	8	Work in Process—Folding	450	
		Wages Payable		450
	8	Work in Process—Folding	655	
		Factory Overhead		655
(e) Nov.	9	Finished Goods	3,430	
		Work in Process—Folding		3,430

DIFFICULTY: Bloom's: Remembering
Challenging

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

168. On May 15, the stamping department accepted Job 051507A to make 1,000 funnels. Materials requisitioned were 1,100 sheets at $1.20 per sheet and 1,150 grommets at $0.15 per set. The cost driver used by stamping department is the drop-forge strokes indicated by a machine mounted counter. Overhead is applied at $2.25 for each drop-forge stroke. Additionally, $375.00 of overhead is applied to each job due to setup and tear down. Direct labor is applied at $22.50 per hour for the machine operator and $11.10 for the machine loader. The job required 6.5 hours of labor.

Upon completion, the job was transferred to Finished Goods Inventory.

Journalize all events as of May 15.

ANSWER:

May	15	Work in Process ($1,320.00 + $172.50)	1,492.50*	
		Raw Materials		1,492.50
		*(1,100 × $1.20) + (1,150 × $0.15)		
	15	Work in Process	2,883.75**	
		Factory Overhead		2,883.75
		**$375 + (1,115 × $2.25)		
	15	Work in Process	218.40***	
		Wages Payable		218.40
		***($22.50 + $11.10) × 6.5 hrs.		
	15	Finished Goods Inventory	4,594.65****	
		Work in Process		4,594.65
		****$1,492.50 + $2,883.75 + $218.40		

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

169. On November 14, the Milling Department accepted Job 111407A for 1,000 pounds of cereal mix.

Materials:	Standard Qty.	Standard Cost
Oats	525 pounds	$1.25 per pound
Wheat	450 pounds	$1.15 per pound
Barley	85 pounds	$1.45 per pound
Malt	65 pounds	$2.15 per pound

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Honey	25 quarts	$1.20 per quart
Water	25 gallons	$0.45 per gallon
Time:		
Miller	4 1/2 hours	$22.75 per hour
Loader	1 1/2 hours	$11.50 per hour

Overhead is applied at $5.75 per pound completed. The recipe produced 1,025 pounds of cereal mix.

(a) Record the journal entry to transfer raw materials to Job 111407A.

(b) Record the journal entry for direct labor incurred for Job 111407A.

(c) Record the journal entry to apply manufacturing overhead to Job 111407A.

(d) Record the journal entry to transfer Job 111407A to Finished Goods on November 14.

ANSWER:

(a) Nov. 14 Work in Process 1,478.00
Materials 1,478.00

(525 × $1.25) + (450 × $1.15) + (85 × $1.45) + (65 × $2.15) + (25 × $1.20) + (25 × $0.45) = $1,478

(b) Nov. 14 Work in Process 119.63
Wages Payable 119.63

(4.5 × $22.75) + (1.5 × $11.50) = $119.63

(c) Nov, 14 Work in Process 5,893.75
Overhead 5,893.75

(1,025 × $5.75) = $5,893.75

(d) Nov. 14 Finished Goods 7,491.38
Work in Process 7,491.38

$1,478.00 + $119.63 + $5,893.75 = $7,491.38

DIFFICULTY: Challenging
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

170. Put the following in the order of the flow of manufacturing costs for a company.

a. Closing under/overapplied factory overhead to Cost of Goods Sold
b. Materials purchased
c. Factory labor used and factory overhead incurred in production
d. Completed jobs moved to finished goods
e. Factory overhead applied to jobs according to the predetermined overhead rate
f. Materials requisitioned to jobs
g. Selling of finished product
h. Preparation of financial statements to determine gross profit

ANSWER:

b. Materials purchased
f. Materials requisitioned to jobs
c. Factory labor used and factory overhead incurred in production

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e. Factory overhead applied to jobs according to the predetermined overhead rate
d. Completed jobs moved to finished goods
a. Closing under/overapplied factory overhead to Cost of Goods Sold
g. Selling of finished product
h. Preparation of financial statements to determine gross profit

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

171. At the end of the period, Carson Company had the following balances in selected accounts:

Materials	$ 80,000
Finished goods	190,000
Work in process	70,000
Cost of goods sold	1,000,000
Factory overhead	30,000

(a) The factory overhead balance is relatively small; prepare the journal entry to close the Factory Overhead account assuming a debit balance. What does a debit balance mean?

(b) The factory overhead balance is relatively small; prepare the journal entry to close the Factory Overhead account assuming a credit balance. What does a credit balance mean?

ANSWER: (a) Cost of Goods Sold 30,000
Factory Overhead 30,000

A debit balance indicates that the factory overhead was underapplied.

(b) Factory Overhead 30,000
Cost of Goods Sold 30,000

A credit balance indicates the factory overhead was overapplied.

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

172. The following is a list of costs incurred by several business organizations:

(a) Telephone cable for a telephone company
(b) Membership fees for a health club for executives
(c) Salary of the director of internal auditing
(d) Long-distance telephone bill for calls made by salespersons
(e) Carrying cases for a manufacturer of video camcorders
(f) Cotton for a textile manufacturer of blue jeans
(g) Bandages for the emergency room of a hospital
(h) Cost of company holiday party
(i) Electricity used to operate factory machinery
(j) State unemployment compensation taxes for factory workers

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(k) Gloves for factory machine operators
(l) Fees paid for lawn service for office grounds
(m) Salary of secretary to vice-president of finance
(n) Salary of secretary to vice-president of marketing
(o) Production supervisor's salary
(p) Engine oil for manufacturer and distributor of motorcycles
(q) Oil lubricants for factory plant and equipment
(r) Cost of a radio commercial
(s) Depreciation on factory equipment
(t) Wages of checkout clerk in company-owned retail outlet
(u) Maintenance and repair costs for factory equipment
(v) Depreciation on office equipment
(w) Bonuses paid to salespersons
(x) Insurance on factory building
(y) Training for accounting personnel on use of microcomputer
(z) Steel for a construction contractor

Classify each of the preceding costs as product costs or period costs. For those costs classified as product costs, indicate whether the product cost is a direct materials cost, direct labor cost, or factory overhead cost. For those costs classified as period costs, indicate whether the period cost is a selling expense or an administrative expense. Use the following tabular headings for preparing your answer. Place an X in the appropriate column.

	Product Cost			Period Cost	
Cost	Direct Materials Cost	Direct Labor Cost	Factory Overhead Cost	Selling Expense	Administrative Expense

ANSWER:

	Product Cost			Period Cost	
Cost	Direct Materials Cost	Direct Labor Cost	Factory Overhead Cost	Selling Expense	Administrative Expense
(a)	X				
(b)					X
(c)					X
(d)				X	
(e)	X				
(f)	X				
(g)	X				
(h)					X
(i)			X		
(j)		X			
(k)			X		
(l)					X
(m)					X
(n)				X	
(o)			X		
(p)	X				
(q)			X		
(r)				X	
(s)			X		
(t)				X	
(u)			X		

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(v)					X
(w)				X	
(x)			X		
(y)					X
(z)		X			

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
MANG.WARD.18.02-04 - 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

173. List the accounts used in the cost flow for (a) a manufacturer and (b) a service provider.

ANSWER:
(a) Materials
Wages Payable
Factory Overhead
Work in Process
Finished Goods
Cost of Goods Sold

(b) Supplies
Wages Payable
Overhead
Work in Process
Cost of Services

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-02 - 02-02
MANG.WARD.18.02-04 - 02-04

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

174. Discuss how job order cost information is used in decision making. What are some possible reasons that actual cost of materials would exceed expected costs for a job?

ANSWER: Since a job order cost system provides product costs for each quantity of product that is manufactured, total and unit product costs can be compared to similar jobs or expected costs. Thus, a job order cost system can be used by managers for cost evaluation and control.

Possible reasons that actual material costs would exceed expected cost include: poorly trained employees, poor quality materials, faulty equipment, or incorrect instructions.

DIFFICULTY: Bloom's: Remembering
Moderate

LEARNING OBJECTIVES: ACCT.WARD.18.02-03 - 02-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

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175. Discuss the use of job order costing for professional services businesses. What are the similarities and differences between service and manufacturing business job order costing?

ANSWER: Professional service providers—attorneys, physicians, advertising agencies, etc.—may use job order cost accounting systems. In such cases, clients are considered jobs.

Like manufacturers, direct labor and overhead costs for service companies are accumulated in work in process accounts. Unlike manufacturers, materials cost for service companies are usually insignificant and treated as overhead. When a job is completed, it is transferred to Cost of Services, which is similar to Cost of Goods Sold. Service companies do not use Finished Goods accounts.

DIFFICULTY: Bloom's: Remembering
Moderate

LEARNING OBJECTIVES: ACCT.WARD.16.17-04 - 17-03

ACCREDITING STANDARDS: ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

Match each of the following phrases with the term (a-g) that it most closely describes.

a. job order cost system
b. process cost system
c. activity-based costing
d. underapplied overhead
e. overapplied overhead
f. finished goods ledger
g. materials ledger

DIFFICULTY: Moderate
Bloom's: Remembering

LEARNING OBJECTIVES: MANG.WARD.18.02-01 - 02-01
MANG.WARD.18.02-02 - 02-02

ACCREDITING STANDARDS: ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs
ACCT.ACBSP.APC.34 - Job Order Costing
ACCT.ACBSP.APC.35 - Process Costing
ACCT.IMA.07 - Cost Management
BUSPROG: Analytic

176. a system that uses a different overhead rate for each activity
ANSWER: c

177. a subsidiary ledger that maintains a separate account for each type of material
ANSWER: g

178. applied overhead is more than actual overhead incurred
ANSWER: e

179. typically used by companies that make custom products
ANSWER: a

180. typically used by companies whose products are indistinguishable from each other

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ANSWER: b

181. the stock ledger
ANSWER: f

182. applied overhead is less than actual overhead incurred
ANSWER: d

Match the costs that follow to the type of product cost (a-c) or designate as not a product cost (d).
a. direct labor
b. direct materials
c. factory overhead
d. not a product cost

DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.27 - Managerial Accounting Features/Costs ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management BUSPROG: Analytic

183. factory depreciation
ANSWER: c

184. president’s salary
ANSWER: d

185. salesmen commissions
ANSWER: d

186. wood
ANSWER: b

187. factory supervisor’s salary
ANSWER: c

188. assembler’s wages
ANSWER: a

189. plastic parts
ANSWER: b

190. machine operator
ANSWER: a

191. maintenance supplies
ANSWER: c

Match each of the following phrases with the term (a-e) that it most closely describes it. Each term will be used only once.

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a. job cost sheets
b. materials requisitions
c. receiving report
d. time tickets
e. cost allocation

DIFFICULTY:	Moderate Bloom's: Remembering
LEARNING OBJECTIVES:	MANG.WARD.18.02-02 - 02-02
ACCREDITING STANDARDS:	ACCT.ACBSP.APC.34 - Job Order Costing ACCT.IMA.07 - Cost Management BUSPROG: Analytic

192. the process by which factory overhead is assigned to a cost object
ANSWER: e

193. these make up the work in process subsidiary ledger
ANSWER: a

194. serves as the basis for recording direct labor on a job cost sheet
ANSWER: d

195. prepared when materials that have been ordered are received and inspected
ANSWER: c

196. serves as the basis for recording materials used
ANSWER: b

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